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SUBJECT: NO GERMAN PLANS FOR FURTHER IRAQI DEBT RELIEF

REF: STATE 181094

¶1. (SBU) Johannes Kindler, Deputy Director General of the Federal Chancellery, and Rolf Wenzel, Deputy Director General for International Financial and Monetary Policies of the Ministry of Finance, told Embassy officers in separate meetings that Germany was unlikely to forgive further Iraqi debt beyond its Paris Club commitment.

¶2. (SBU) Kindler highlighted the legal and political difficulties of such a move. He noted that the Germany's political decision to commit to the Paris Club terms of 80 percent debt relief was extraordinary, given that Iraq was not a lesser developed country and the debt was commercial instead of development assistance.

¶3. (SBU) Wenzel suggested that relief from the remaining 20 percent of debt would provide little additional benefit to Iraq, since payments on interest are slated to begin only in 2009 and on principal in 2011. Debt forgiveness would therefore not "put additional money on the table" for Iraq to use in development and capacity building. Wenzel rejected the argument that debt relief would encourage private investment, noting that Iraq's problem was security, not lack of finance. A recent IMF report on Iraqi was positive about its finances and made no mention of the need for more debt relief.

¶4. (SBU) According to Wenzel, the German Finance Ministry approached the Iraqi Ministry of Finance in September with an offer of technical assistance that might focus on, for example, how best to privatize former state-owned companies. They offered to bring Iraqi officials to a workshop in Germany assess their needs. To date, the Iraqis have not responded.  
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